

April 2, 2004

Dear BSAI Crab Qualifying Voter:

This letter provides referendum and voting information for the BSAI crab fishing capacity reduction program.

Our records indicate you're qualified to vote in the referendum, and I'm sending this letter to you now so you'll have some time to review it before voting opens.

I hope these questions and answers will help you understand the referendum process and your part in it.

**HAS BIDDING CLOSED?**

Not yet.

Bidding closes on April 23, 2004.

If you intend to bid but haven't yet, you should do so now because your bid must be in our hands not later than 5:00 P.M., Eastern Standard Time, on April 23, 2004.

We won't consider any bid we first receive after bidding closes.

**WHAT'S THE REFERENDUM'S PURPOSE?**

Determining whether crab license holders authorize a post-reduction landing fee to repay the Federal loan which will finance the reduction's cost.

**WHEN WILL WE SEND YOU YOUR REFERENDUM BALLOT?**

On May 7, 2004.

That's two weeks after bidding closes.

**WHEN CAN YOU FIRST VOTE?**

As soon as you receive the ballot we send you.

### **WHEN DOES VOTING CLOSE?**

On June 11, 2004, at 5:00 P.M., Eastern Standard Time.

That's five weeks after we first send the referendum ballot to you.

So, depending on how long it takes our ballot to reach you, you may have about four weeks to vote and return your completed ballot to us.

### **WHAT'S THE SIGNIFICANCE OF THE DATE AND TIME WHEN VOTING CLOSES?**

Your completed ballot must be in our hands before voting closes.

If we receive your completed ballot after voting closes, your ballot won't be responsive and we won't count it as a referendum vote.

You should, consequently, deliver your ballot to us sufficiently before voting closes to ensure our receipt before bidding closes.

### **WHO CAN VOTE?**

Each holder of an interim or a non-interim BSAI crab license, except only those which are endorsed solely for the Norton Sound fishery.

There are presently 317 qualifying voters on our qualifying voter list.

### **DO YOU GET ONE VOTE FOR EACH LICENSE YOU HOLD?**

Yes.

We'll send you a ballot for each qualifying BSAI crab license for which you're then the holder of record according to RAM's<sup>1</sup> crab license database.

### **DO ALL REFERENDUM VOTES HAVE EQUAL WEIGHT?**

Yes.

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<sup>1</sup>The Restricted Access Management Program in NMFS' Alaska Regional Office.

**WILL YOU SEPARATELY SEND EACH LICENSE HOLDER A BALLOT FOR EACH LICENSE THE HOLDER HOLDS?**

Yes.

If you hold more than one license qualifying you to vote, you'll separately receive a ballot for each of the qualifying licenses of which you're the holder of record.

Each ballot will bear the license number of the license with which the ballot is associated.

**WHEN WE SEND YOU YOUR BALLOT(S), WHAT OTHER INFORMATION WILL WE INCLUDE?**

Our ballot transmittal letter will tell you at least the following about the bids we've accepted:

1. The total buyback cost (the total of all bid amounts in all accepted bids),
2. The total reduction loan (same as the total buyback cost),
3. The total number of accepted bidders' crab licenses and crab vessels to be removed from each of the six fee-paying crab fisheries,
4. The total ex-vessel dollar values of landings in each of the six fee-paying crab fisheries associated with accepted bidders' crab licenses and crab vessels during the bid scoring period,
5. The reduction loan sub-amounts allocated to each of the six fee-paying crab fisheries,
6. The fee rate prospectively required from each of the six fee-paying crab fisheries, and
7. Any other useful information we may have which might help you evaluate your voting decision.

**WILL WE SEND YOU ANY FUTURE REFERENDUM NOTICES?**

No, we'll just mail your ballot to you on May 7, 2004.

**WHAT DETERMINES WHETHER THE REFERENDUM SUCCEEDS OR FAILS?**

If at least two-thirds of the voters who return responsive

ballots vote in favor of the landing fee, the referendum succeeds.

In other words, if more than one-third of the voters who return responsive ballots vote against the landing fee, the referendum fails.

#### **WHAT HAPPENS IF THE REFERENDUM SUCCEEDS?**

We complete the reduction program, in this order:

1. We notify all bidders whether we accepted or rejected their bids,
2. We notify all voters that the referendum succeeded,
3. We publish a reduction payment tender notice 30 days before we tender reduction payments to accepted bidders,
4. We tender reduction payments to accepted bidders,
5. We revoke accepted bidders' crab licenses and crab fishing histories and restrict their crab vessels from ever fishing again anywhere in the world or transferring into foreign registries,
6. We disburse reduction payments in accordance with accepted bidders' written payment instructions,
7. We publish a fee payment regulation, and
8. We begin fee payment and collection.

#### **WHAT HAPPENS IF THE REFERENDUM FAILS?**

We don't complete the reduction program, and all bidders are automatically released from any further obligation with respect to their bid offers.

#### **IF THE REFERENDUM FAILS, IS IT POSSIBLE TO INVITE A SECOND ROUND OF BIDS AND HOLD A SECOND REFERENDUM ON THE NEW BIDDING RESULTS?**

It's possible, but not very likely.

If the first referendum had come sufficiently close to succeeding and all the circumstances indicated that a second round of bidding might produce bidding results more likely to cause a second referendum to succeed, we might consider a second invitation to bid.

No one should, however, count on this happening.

**WHAT'S THE MAXIMUM BUYBACK COST, AND HOW MUCH OF THAT DOES THE REDUCTION LOAN FINANCE?**

The maximum cost is \$100 million, and the reduction loan will finance 100% of whatever the final cost turns out to be.

**IS THIS A NORMAL LOAN?**

Only in the sense that it must be repaid.

Otherwise, this isn't at all like a normal loan.

There are no promissory notes, mortgages, or other security documents.

No post-reduction crab harvester is responsible for repaying any specific portion of the loan.

No post-reduction crab harvester is obligated in any way except to pay the landing fee each time the harvester lands crab after we complete the reduction program and publish a fee regulation.

There is, in short, no loan-repayment contract between us (the lender) and post-buyback harvesters (collectively, the borrower). Instead, the loan's repayment obligation consists entirely of a statutory obligation to pay the post-reduction crab landing fee.

No one's assets secure this loan's payment.

**WHAT'S THE LOAN'S REPAYMENT TERM?**

30 years.

**WHAT'S THE LOAN'S INTEREST RATE?**

We won't know until later, but it'll be 2% higher than the Federal Government's cost of then borrowing money for a similar period.

At today's Federal borrowing cost, the loan's interest rate would be about 6.80%.

**HOW DO POST-REDUCTION HARVESTERS REPAY THE LOAN?**

By a fee on post-reduction crab landings.

The first ex-vessel crab buyers deduct this fee from post-

reduction trip proceeds before paying the net proceeds to the landing vessels.

Because fish buyers will automatically deduct this fee from post-reduction trip proceeds, crab harvesters won't need to worry about how, when, or to whom they should pay the fee.

The deductions are involuntary.

**WHAT POST-REDUCTION CRAB LANDINGS WILL BE SUBJECT TO THE FEE?**

All BSAI crab landings, except those from the Norton Sound crab fishery.

**WILL WE ALLOCATE THE LOAN AMONG THE DIFFERENT CRAB AREA/SPECIES ENDORSEMENT FISHERIES?**

Yes.

There are seven crab area/species endorsement fisheries.

Six of these will be fee-paying fisheries, and we'll allocate a separate loan sub-amount to each of these fisheries.

The Norton Sound fishery won't be a fee-paying fishery, and we won't allocate any loan sub-amount to this fishery.

**HOW MUCH WILL THE FEE BE?**

It'll be different for each of the six fee-paying fisheries, because the loan sub-amounts will be different for each of these fisheries.

We can't determine the loan sub-amounts until after buyback bidding.

No fee can ever be more than 5% of the ex-vessel value of post-reduction crab landings, but will be less if a lesser percentage of the landings revenue we project for any of the six fee-paying fisheries will be sufficient to repay that fishery's loan sub-amount over 30 years.

**HOW WILL WE ALLOCATE THE LOAN SUB-AMOUNTS?**

As indicated in the following table:

FISHERY	DOLLAR VALUE OF ACCEPTED BIDDERS' CRAB LANDINGS DURING THE 5 BID SCORING YEARS IN EACH FEE-PAYING FISHERY . . .			TIMES TOTAL REDUCTION COST/ REDUCTION LOAN AMOUNT (MULTIPLICAND)	EQUALS REDUCTION LOAN SUB-AMOUNT IN EACH OF 6 FISHERIES (PRODUCTS)
	TOTAL LANDED IN EACH OF 6 FISHERIES (DIVIDENDS)	DIVIDED BY GRAND TOTAL LANDED IN ALL 7 FISHERIES (DIVISOR)	EQUALS EACH OF 6 FISHERIES AS PERCENTAGE OF ALL 7 FISHERIES (MULTIPLIERS)		
First	varies	same	varies	same	varies
Second	varies	same	varies	same	varies
Third	varies	same	varies	same	varies
Fourth	varies	same	varies	same	varies
Fifth	varies	same	varies	same	varies
Six	varies	same	varies	same	varies

This allocation method ensures that the loan sub-amount in each of the six fee-paying fisheries is proportional to the amount of capacity reduction in that fishery.

Fees on post-reduction crab landings in each of the six fee-paying fisheries will repay only the reduction loan sub-amount allocated to that fishery.

#### **WILL THE BALLOTS BE COMPLICATED?**

No.

Each ballot will have a place for you to vote either for or against the reduction loan repayment fee.

All you'll have to do is mark the ballot to establish whether you're voting for or against the fee, properly sign the ballot, and return it to us before voting closes.

#### **WHO MUST SIGN THE BALLOTS?**

Each ballot must be signed by the owner of record of the specific crab license upon which the ballot is based.

If a crab license is co-owned (jointly owned by more than one sole proprietor, partnership, or corporation), each co-owner must sign the ballot.

If only one sole proprietor owns the crab license, only the person need sign the ballot.

If only one partnership owns the crab license, only the partner authorized to sign for the partnership on behalf of the remaining partners need sign the ballot. If no one partner is so authorized, then all partners must sign the ballot.

If only one corporation owns the crab license, only the person authorized to sign on behalf of the corporation need sign the ballot.

**WHEN YOU VOTE, TO WHOM MUST YOU DELIVER YOUR COMPLETED BALLOT?**

Michael L. Grable  
Chief, Financial Services Division (F/MB5)  
National Marine Fisheries Service  
National Oceanic and Atmospheric Administration  
Room 13100  
1315 East-West Highway  
Silver Spring, MD 20910-3282.

**MAY YOU FAX TO US YOUR COMPLETED BALLOT?**

No.

We won't count your completed ballot if you fax it to us.

Instead, you must cause your completed ballot to be physically delivered to us at the above address.

**DO WE REQUIRE ORIGINAL SIGNATURES ON YOUR COMPLETED BALLOT?**

Yes.

You must submit your completed ballot on the ballot form we mail to you.

The completed ballot must bear the original signatures of all parties required to sign the ballot.

**WHY MAY YOU USE ONLY THE BALLOT WE SEND YOU?**

Each ballot will bear (1) an administrative number we've randomly selected and (2) the governmental number of the crab license which qualifies you to complete and submit the ballot.

Each random number will correlate in our records to each crab license number.

We'll reject any ballot that doesn't bear the correct randomly assigned number for the crab license involved in that ballot.



**WHAT MEANS (OTHER THAN FAX) OF BALLOT DELIVERY MAY YOU USE?**

U.S. mail, express delivery service, or personal delivery.

You may use whichever of these means you believe most reliably able to deliver your completed ballot in time for it to be counted.

Please remember that it isn't enough for you merely to mail your completed ballot before voting closes.

Instead, we must actually receive your completed ballot no later than 5:00 PM, Eastern Standard Time, on June 11, 2004.

**MUST YOU DELIVER YOUR COMPLETED BALLOT TO US IN A SPECIAL ENVELOPE?**

Yes.

When we mail your ballot, we'll include a specially marked envelope which you must use to return your completed ballot to us.

This is designed to ensure your completed ballot gets special attention in our mail distribution system.

**WHAT SHOULD YOU BE CAREFUL ABOUT WHEN SIGNING YOUR BALLOT?**

Here are some examples:

1. You should sign your ballot using your full legal name. This is true whether you're signing as a sole proprietor, a corporate officer, a general partner, or in any other capacity,
2. Multiple parties owing or holding a crab license in common must both sign the ballot. For example, if the crab license database establishes that the record owner of the license is "Smith, Sam S. and Smith, Bess B.", both Sam S. Smith and Bess B. Smith must sign the ballot,
3. A corporate license holder of record must cause a properly authorized corporate officer to sign the ballot and the corporate voter must ensure that the corporation is duly authorized to submit the ballot,
4. A partnership license holder of record must cause each of the partnership's partners to sign the ballot on the partnership's behalf, unless one of partners is a general

partner whom the voting partnership's articles of partnership duly authorize to bind the other partners by signing legal documents on the partnership's behalf. In the latter event, the completed ballot's submission should be accompanied by a copy of the partnership's articles of partnership evidencing the general partner's authority,

5. Be sure to vote only for or against the fee instead of both for and against it. We won't count ballots where the voter votes both for and against the fee, and
6. Be sure to vote either for or against the fee. We won't count ballots where the voter doesn't clearly indicate whether the vote is for or against the fee,

**WILL WE REJECT YOUR BALLOT IF IT ISN'T PROPERLY COMPLETED, SIGNED, AND DELIVERED?**

Yes.

**ARE THERE SUBSTANTIAL PENALTIES AND OTHER PUNISHMENT FOR SUBMITTING FALSE, UNAUTHORIZED, OR FRAUDULENT BALLOTS?**

Yes.

This is subject to the full range of penalties that the Magnuson-Stevens Act, 15 CFR part 904, and all other applicable United States law provides.

These include, but are not limited to, civil penalties, sanctions, forfeitures, and punishment for criminal offenses.

This concludes the questions and answers.

Again, if you intend to bid, it's important that you do it now to be certain that your bid is in our hands before bidding closes on April 23, 2004.

If you need help with any buyback aspect, please don't hesitate to contact one of the three persons listed on the next page. If the person you call isn't here to answer your question at the time you call, please don't hesitate to call one of the other persons.

PERSON	NUMBERS/ADDRESS	
	TELEPHONE (301) 713-2390	E-MAIL
Mike Grable	Extension 185	michael.grable@noaa.gov
Mike Sturtevant	Extension 212	michael.sturtevant@noaa.gov
Shawn Barry	Extension 186	shawn.barry@noaa.gov

We look forward to sending you your referendum ballot(s) on May 7, 2004.

Sincerely,

Michael L. Grable, Chief  
Financial Services Division